

ORIGINAL

BEFORE THE ARIZONA GORPORATION CUMMISSION

3	COMMISSIONERS	N 18 P 4: 41	Arizona Corporation Commissio DOCKETED
4	KRISTIN K. MAYES, Chairman AZ COR GARY PIERCE	P COMMISSION ET CONTROL	JUN 18 2010
5	PAUL NEWMAN SANDRA D. KENNEDY		DOCKETED BY
6	BOB STUMP		
7	IN THE MATTER OF THE APPLICATION) DOCKET NO.	W-01303A-09-0343
8	OF ARIZONA-AMERICAN WATER COMPANY, AN ARIZONA	}	
9	CORPORATION, FOR A DETERMINATION OF THE CURRENT	}	
10	FAIR VALUE OF ITS UTILITY PLANT AND PROPERTY AND FOR INCREASES	}	
11	IN ITS RATES AND CHARGES BASED THEREON FOR UTILITY SERVICE BY	}	
12	ITS ANTHEM WATER DISTRICT AND ITS SUN CITY WATER DISTRICT.	}	
14	IN THE MATTER OF THE APPLICATION OF ARIZONA-AMERICAN WATER	O DOCKET NO.	SW-01303A-09-0343
15	COMPANY, AN ARIZONA CORPORATION, FOR A	{	
16	DETERMINATION OF THE CURRENT FAIR VALUE OF ITS UTILITY PLANT	ANTHEM CO	
17	AND PROPERTY AND FOR INCREASES IN ITS RATES AND CHARGES BASED	SCHEDULES	
18	THEREON FOR UTILITY SERVICE BY ITS ANTHEM/AGUA FRIA	{	
	WASTEWATER DISTRICT, ITS SUN CITY		

CITY WEST WASTEWATER DISTRICT.

Pursuant to Administrative Law Judge Wolfe's directive to the parties in the above-captioned and above-docketed proceedings, Anthem Community Council ("Anthem") submits for filing in the instant proceedings its "Phase 1 Schedules." As used herein, Anthem understands the term "Phase 1 Schedules" to encompass those schedules that a submitting party currently anticipates such party may have occasion to reference or use in connection with its forthcoming briefing of Phase 1 issues. In that regard, it is further understood by Anthem that such party may subsequently become aware of or prepare

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additional schedules it desires to reference or use as it finalizes its Initial Post-Hearing Brief and/or Reply Post-Hearing Brief; and, in such event, the party may do so.

Schedules Anthem – Legal 1 and 2

Anthem currently anticipates that it may use these schedules in connection with its discussion of the ratemaking treatment which should result by reason of the legal argument(s) set forth in Anthem's April 16, 2010 Pre-Hearing Memorandum relating to Arizona-American Water Company's ("A-AWC") refund payments of \$23.3 million to Pulte. These schedules utilize a format similar to that used in Exhibit(s) DLN-4 and DLN-5 to Anthem witness Dan L. Neidlinger's April 22, 2010 Surrebuttal Testimony [Hearing Exhibit Anthem-3], except that they assume a reduction from rate base of the aggregate \$23.3 million Putle refund amount addressed in Anthem's April 16, 2010 Pre-Hearing Memorandum rather than the \$20.2 million Pulte refund amount discussed in Mr. Neidlinger's prepared Direct Testimony [Hearing Exhibit Anthem-1].

Schedule Anthem 3

This schedule was marked for identification and admitted into evidence as Hearing Exhibit Anthem-2 in the recently concluded A-AWC rate case hearings. It depicts the proposed ratemaking results in the context of the instant proceedings, if the ratable plant transfer (or "parking") recommendation of Mr. Neidlinger is adopted by the Commission as a rate shock mitigation measure.

Schedules Anthem 4 through 7

These schedules were attached as Exhibit(s) DLN-1 through DLN-4 to Mr. Neidlinger's April 22, 2010 prepared Surrebuttal Testimony. That prepared testimony (and attached exhibits) was marked for identification and received into evidence as Hearing Exhibit Anthem-3 in the recently concluded A-AWC rate case hearings. These schedules are intended to (i) address and support Anthem's proposed allocation of Northwest Wastewater Treatment Plant costs as between the Sun City West Wastewater District and the Anthem/Agua Fria Wastewater District, respectively, and (ii) quantify and support as between Sun City West and Agua Fria the ultimate allocation of such costs, in the event 1

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that the Commission adopts Anthem's proposed de-consolidation of the Anthem/Agua Fria Wastewater District into two (2) separate wastewater districts. In that regard, Anthem's deconsolidation proposal would be applicable only in the event that the Commission should decide to not adopt consolidated rates for A-AWC.

Cost of Capital

As indicated during the recently concluded A-AWC rate case hearings, Anthem supports RUCO's recommended 6.77% cost of capital for A-AWC for the test period, subject to further reduction for the decrease in cost of commercial paper which A-AWC's parent experienced during 2009. Anthem anticipates addressing this development in its Initial Post-Hearing Brief and/or Reply Post-Hearing Brief. However, it does not as yet have the information necessary to submit a schedule reflecting the downward adjustment of 6.77% to a lower cost of capital at this time.

DATED this 18th day of June, 2010.

Respectfully submitted,

Judith M. Dworkin Roxann S. Gallagher Sacks Tiernev PÅ 4250 N. Drinkwater Blvd., 4th Floor Scottsdale, Arizona 85251-3693

and

Lawrence V. Robertson, Jr. P.O. Box 1448 Tubac, Arizona 85646-1448

Attorneys for Anthem Community Council

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1	ORIGINAL AND FIFTEEN (13) COPIES of the foregoing Notice are being emailed
2	of the foregoing Notice are being emailed/mailed this 18 th day of June, 2010 to:
3	Docket Control Arizona Corporation Commission
4	1200 W. Washington Street Phoenix, AZ 85007
5	COPY of the foregoing emailed/mailed
6	this 18 th day of June, 2010, to:
7	Teena Wolfe, Administrative Law Judge Hearing Division
8	Arizona Corporation Commission 1200 W. Washington Street
9	Phoenix, AZ 85007
10	All parties of record
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Schedule Anthem - Legal 1

ANTHEM/AGUA FRIA WASTEWATER DISTRICT Comparison of Staff, RUCO and Company Revenue Requirements With Proposed Anthem Legal Amount

DESCRIPTION	RECOMMENDED PER FILINGS	NW PLANT ADJUST. (1)	PULTE LEGAL ADJUST. (2)	ADJUSTED LEGAL AMOUNT
STAFF: (3)				
Rate Base	\$44,359,326	-\$2,482,145	-\$ 6,256,813	\$35,620,368
Adjusted Operating Income	169,900	127,316	40,834	338,050
Required Rate of Return	7.20%			7.20%
Required Operating Income	3,193,871			2,564,666
Operating Income Deficiency	3,023,971			2,226,616
Gross Revenue Conversion Factor	1.6561			1.6561
Required Revenue Increase	5,007,999			3,687,500
Adjusted Test Year Revenues	8,637,123			8,637,123
Percentage Increase in Revenues	57.98%			42.69%
RUCO: (4)				
Rate Base	\$47,558,242	-\$3,345,499	-\$6,256,813	\$37,955,930
Adjusted Operating Income	23,202	253,935	40,834	317,971
Required Rate of Return	6.77%			6.77%
Required Operating Income	3,219,693			2,569,616
Operating Income Deficiency	3,196,491			2,251,645
Gross Revenue Conversion Factor	1.6561			1.6561
Required Revenue Increase	5,293,709			3,728,950
Adjusted Test Year Revenues	8,634,567			8,634,567
Percentage Increase in Revenues	61.31%		•	43.19%
COMPANY: (5)				
Rate Base	\$45,416,602	-\$2,482,145	-\$6,256,813	\$36,677,644
Adjusted Operating Income	88,073	127,316	40,834	256,223
Required Rate of Return	7.20%	,	,	7.20%
Required Operating Income	3,269,995			2,640,790
Operating Income Deficiency	3,181,922			2,384,567
Gross Revenue Conversion Factor	1.6683			1.6683
Required Revenue Increase	5,308,401			3,978,174
Adjusted Test Year Revenues	8,634,017			8,634,017
Percentage Increase in Revenues	61.48%			46.08%

- (1) Per Surrebuttal Exhibit DLN-3
- (2) Pulte Refunds of \$920,490 for 2007 and \$5,336,323 for 2008
- (3) Per Staff Schedule GTM-1
- (4) Per Attachment RCS-3 to Direct Testimony of RUCO Witness Ralph Smith Anthem/Agua Fria Wastewater
- (5) Per Company Rebuttal Schedule A-1 Anthem/Agua Fria Wastewater

Schedule Anthem - Legal 2

ANTHEM WATER DISTRICT Comparison of Staff, RUCO and Company Revenue Requirements With Proposed Anthem Legal Amounts

DESCRIPTION	RECOMMENDED PER FILINGS	PULTE LEGAL ADJUST. (1)	ADJUSTED LEGAL AMOUNT
STAFF: (2)			
Rate Base	\$57,368,047	-\$17,037,609	\$40,330,438
Adjusted Operating Income	548,175	98,580	646,755
Required Rate of Return	7.20%		7.20%
Required Operating Income	4,130,499		2,903,792
Operating Income Deficiency	3,582,324		2,257,037
Gross Revenue Conversion Factor	1.6578		1.6578
Required Revenue Increase	5,938,777		3,741,715
Adjusted Test Year Revenues	7,483,274		7,483,274
Percentage Increase in Revenues	79.36%		50.00%
RUCO: (3)			
Rate Base	\$57,291,754	-\$17,037,609	\$40,254,145
Adjusted Operating Income	667,437	98,580	766,017
Required Rate of Return	6.77%		6.77%
Required Operating Income	3,878,652		2,725,206
Operating Income Deficiency	3,211,215		1,959,189
Gross Revenue Conversion Factor	1.6578		1.6578
Required Revenue Increase	5,323,552		3,247,943
Adjusted Test Year Revenues	7,473,818		7,473,818
Percentage Increase in Revenues	71.23%		43.46%
COMPANY: (4)			
Rate Base	\$57,422,164	-\$17,037,609	\$40,384,555
Adjusted Operating Income	528,986	98,580	627,566
Required Rate of Return	7.20%		7.20%
Required Operating Income	4,134,396		2,907,688
Operating Income Deficiency	3,605,410		2,280,122
Gross Revenue Conversion Factor	1.6538		1.6538
Required Revenue Increase	5,962,627		3,770,866
Adjusted Test Year Revenues	7,482,226		7,482,226
Percentage increase in Revenues	79.69%		50.40%

- (1) Pulte Refunds of \$2,147,810 for 2007 and \$14,889,799 for 2008
- (2) Per Staff Schedule GWB-1
- (3) Per Attachment RCS-2 to Direct Testimony of RUCO Witness Ralph Smith Anthem Water
- (4) Per Company Rebuttal Schedule A-1 Anthem Water

Rate of Return and Utility Plant Adjustments to Partially Mitigate Rate Shock

DESCRIPTION	AS FILED (1)	ADJUSTMENTS	ADJUSTED AMOUNT
WATER:			
Rate Base (2)	\$57,430,024	-\$12,666,752	\$44,763,272
Adjusted Operating Income (3)	514,449	257,236	771,685
Required Rate of Return (4)	8.53%	-1.20%	7.33%
Operating Income Regmt.	4,898,781		3,281,148
Operating Income Def.	4,384,332	•	2,509,463
Gross Rev. Conv. Factor	1.6578		1.6578
Increase in Gross Revenues	7,268,346		4,160,187
Adjusted Test Year Revenues	7,483,274	•	7,483,274
Revenue Increase Percentage	97.13%		55.59%
WASTEWATER:			
Rate Base (5)	\$47,735,732	-\$4,408,870	\$43,326,862
Adjusted Operating Income (6)	-191,785	96,142	-95,643
Required Rate of Return (4)	8.53%	-1.20%	7.33%
Operating Income Reqmt.	4,071,858		3,175,859
Operating Income Def.	4,263,643		3,271,502
Gross Rev. Conv. Factor	1.6561		1.6561
Increase in Gross Revenues	7,061,019		5,417,934
Adjusted Test Year Revenues	8,637,123		8,637,123
Revenue Increase Percentage	81.75%		62.73%

- (1) Per Company Original Wastewater Filing and Revised Water Filing(2) Pulte Refund Gross Utility Plant \$14,889,799 Less Accumulated Depreciation (14.93%) of \$2,223,047
- (3) 2008 Depreciation (2.80%) of \$416,914 less Income Taxes (38.3%) of \$159,678
- (4) Adjustment to Reduce Rate of Return to 7.33% per ACC Rate of Return Finding in Decision No. 71410
- (5) Pulte Refund Gross Utility Plant \$5,336,323 Less Accumulated Depreciation (17.38%) of \$927,453
- (6) 2008 Depreciation (2.92%) of \$155,821 less Income Taxes (38.3%) of \$59,679

NORTHWEST WW PLANT ALLOCATION Anthem/Agua Fria & Sun City West Customer Growth Rates

DESCRIPTION	END OF YEAR	NEAF CUST. (1)	CUST. GRTH.	% GRTH.	SC WEST CUST. (1)	CUST. GRTH.	% GRTH.
HISTORICAL:	2004 (2)	602			14,920		
	2005	1,079	477	79.24%	14,931	11	0.07%
	2006	2,581	1,502	139.20%	14,978	47	0.31%
	2007	2,875	294	11.39%	14,985	. 7	0.05%
	2008	2,816	-59	-2.05%	14,968	-17	-0.11%
	2009	2,914	98	3.48%	14,962	-6	-0.04%
STAFF PROJECTIONS:	2009	3,520	704	25.00%	14,982	14	0.09%
	2010	4,224	704	20.00%	14,996	14	0.09%
	2011	4,928	704	16.67%	15,010	14	0.09%
	2012	5,632	704	14.29%	15,024	14	0.09%
	2013	6,336	704	12.50%	15,038	14	0.09%
REVISED PROJECTIONS: (3)	2009	2,914	98	3.48%	14,962	-6	-0.04%
•	2010	3,025	111	3.81%	14,962	0	0.00%
	2011	3,136	111	3.67%	14,962	. 0	0.00%
	2012	3,247	111	3.54%	14,962	0	0.00%
	2013	3,358	111	3.42%	14,962	0	0.00%

- (1) Historical Year End Northeast Agua Fria ("NEAF") Customers for Years 2005 Through 2009 Per Company Responses to Anthem Data Requests 4.8 and 4.9.
- (2) 2004 Year End Customers Per Staff Engineering Report in Docket WS-01303A-06-0491; NEAF Customer Count is January 2005.
- (3) Projected 2010 Through 2013 Customer Growth for NEAF Based on Average Growth for Three Years of 2007 Through 2009; Sun City West Projected Growth Rate is Flat.

NORTHWEST WW PLANT ALLOCATION Calculation of Allocation Percentages

DESCRIPTION	AMOUNT	PERCENT
STAFF ALLOCATION PERCENTAGES (1)		
NORTHEAST AGUA FRIA ("NEAF"):		
Number of Customers at End of Test Year (2008)	2,816	
Estimated Annual Growth (2005-2008) (2,816/4)	704	
5 Year Projected Growth (704*5 yrs)	3,520	
Projected Number of Customers in 2013 (2,816+3,520)	6,336	
Maximum Peak Daily Flow During Test Year (gpd/c)	168	
Projected Maximum Flow - 2013	1,064,448	26.94%
SUN CITY WEST:		
Number of Customers at End of Test Year (2008)	14,968	
Estimated Annual Growth (2005-2008)	14	
5 Year Projected Growth (14*5 yrs)	70	
Projected Number of Customers in 2013 (2,816+3,520)	15,038	
Maximum Peak Daily Flow During Test Year (gpd/c)	192	
Projected Maximum Flow - 2013	2,887,296	73.06%
Combined Maximum Flow - Northwest Plant	3,951,744	100.00%
RECOMMENDED ALLOCATION PERCENTAGES (2)		
NORTHEAST AGUA FRIA ("NEAF"):		
Number of Customers at End of Test Year (2009)	2,914	
Estimated Annual Growth (2007-2009) (333/3)	111	
4 Year Projected Growth (111*4 yrs)	444	
Projected Number of Customers in 2013 (2,914+444)	3.358	
Maximum Peak Daily Flow During Test Year (gpd/c)	168	
Projected Maximum Flow - 2013	564,144	16.41%
SUN CITY WEST:	33.,	
Number of Customers at End of Test Year (2008)	14.962	
Estimated Annual Growth (2007-2009) (-16/3)	-5	
4 Year Projected Growth (0*4 yrs)	. 0	
Projected Number of Customers in 2013 (14,962+0)	14.962	
Maximum Peak Daily Flow During Test Year (gpd/c)	192	
Projected Maximum Flow - 2013	2.872.704	83.59%
Combined Maximum Flow - Northwest Plant	3,436,848	100.00%

⁽¹⁾ Per Schedule DMH-1 Appended to Staff Response to Anthem Data Request 1.1 (2) Based on Projections Shown on Surrebuttal Exhibit DLN-1

NORTHWEST WW PLANT ALLOCATION Proposed Rate Base and Operating Income Adjustments to Company, Staff & RUCO

PLANT ADJUSTMENT	UTILITY	FILED 32%	STAFF 28%	16.5%	ADJUST. TO STAFF	ADJUST. TO	DEPR.
DESCRIPTION	PLT. CST. (1)	ALLOC.	ALLOC (1)	ALLOC.	& CO. (2)	RUCO	ADJ. (3)
Northwest WW Plant	\$25,995,575	\$8,318,584	\$7,278,761	\$4,289,270	-\$2,989,491	-\$4,029,314	
Accumulated Depreciation (4)	-4,411,709	-1,411,747	-1,235,279	-727,932	507,347	683,815	
Net Plant	\$21,583,866	\$6,906,837	\$6,043,482	\$3,561,338	-\$2,482,145	-\$3,345,499	
Depreciation Adj Staff & Co.							-\$134,82
Depreciation Adj RUCO							-\$181,72

NOTES:

(1) Per Staff Schedule GTM-5

(2) Adjusted to Company Rebuttal Rate Base
 (3) Staff Composite Depreciation Rate of 4.51% for the Northwest Plant
 (4) Staff Adjusted Accumulated Depreciation for the Northwest Plant of 16.971%

OPERATING INC. ADJ.		•			ADJUST.	ADJUST.
	TOTAL PLT.	32%	28%	16.5%	TO STAFF	TO
DESCRIPTION	COSTS (1)	ALLOC.	ALLOC	ALLOC.	_& CO. (2)	RUCO
Labor	\$439,680	\$140,698	\$123,110	\$72,547	-\$50,563	-\$68,150
Purchased Water	46,939	15,020	13,143	7,745	-5,398	-7,276
Fuel & Power (3)	373,211	119,428	60,492	60,492	0	-58,936
Chemicals (3)	414,181	132,538	57,985	57,985	0	-74,553
Management Fees	151,361	48,436	42,381	24,975	-17,407	-23,461
Group Insurance	1,351	432	378	223	-155	-209
Rents	22,082	7,066	6,183	3,644	-2,539	-3,423
General Office Expense	9,819	3,142	2,749	1,620	-1,129	-1,522
Miscellaneous	199,988	63,996	55,997	32,998	-22,999	-30,998
Maintenance Expense	153,567	49,141	42,999	25,339	-17,660	-23,803
Depreciation	• • •	·			-134,826	-181,722
Income Taxes (4)					125,361	220,117
Net Operating Expense Adjust.					-\$127,316	-\$253,935
Operating Income Adjust.					\$127,316	\$253,935

- (1) Per Staff Schedule GTM-12
- (2) Adjusted to Company Rebuttal Operating Income
- (3) Staff Variable Cost Allocation Based on 14% Flows
 (4) Adjusted for the Effect of Interest Synchronization

ANTHEM/AGUA FRIA WASTEWATER DISTRICT Comparison of Staff, RUCO and Company Revenue Requirements With Proposed Adjusted Amount

DESCRIPTION	RECOMMENDED PER FILINGS	NW PLANT ADJUST. (1)	PULTE ADJUST. (2)	ADJUSTED AMOUNT
STAFF: (3)				······································
Rate Base	\$44,359,326	-\$2,482,145	-\$4,40 8,870	\$37,468,311
Adjusted Operating Income	169,900	127,316	45,483	342,699
Required Rate of Return	7.20%			7.20%
Required Operating Income	3,193,871		•	2,697,718
Operating Income Deficiency	3,023,971			2,355,019
Gross Revenue Conversion Factor	1.6561			1.6561
Required Revenue Increase	5,007,999			3,900,148
Adjusted Test Year Revenues	8,637,123			8,637,123
Percentage Increase in Revenues	57.98%			45.16%
RUCO: (4)				
Rate Base	\$47,558,242	-\$3,345,499	-\$4,408,870	\$39,803,873
Adjusted Operating Income	23,202	253,935	45,483	322,620
Required Rate of Return	6.77%		•	6.77%
Required Operating Income	3,219,693			2,694,722
Operating Income Deficiency	3,196,491			2,372,102
Gross Revenue Conversion Factor	1.6561			1.6561
Required Revenue Increase	5,293,709			3,928,438
Adjusted Test Year Revenues	8,634,567			8,634,567
Percentage Increase in Revenues	61.31%			45.50%
COMPANY: (5)				
Rate Base	\$45,416.602	-\$2,482,145	-\$4,408,870	\$38,525,587
Adjusted Operating Income	88,073	127,316	45,483	260,872
Required Rate of Return	7.20%	•		7.20%
Required Operating Income	3,269,995			2,773,842
Operating Income Deficiency	3,181,922		Sec.	2,512,970
Gross Revenue Conversion Factor	1.6683			1.6683
Required Revenue Increase	5,308,401			4,192,388
Adjusted Test Year Revenues	8,634,017			8,634,017
Percentage Increase in Revenues	61.48%			48.56%

- (1) Per Surrebuttal Exhibit DLN-3
- (2) Per Direct Testimony Exhibit DLN-1; Operating Income Adjustment Modified for Interest Synchronization
- (3) Per Staff Schedule GTM-1
- (4) Per Attachment RCS-3 to Direct Testimony of RUCO Witness Ralph Smith Anthem/Agua Fria Wastewater
- (5) Per Company Rebuttal Schedule A-1 Anthem/Agua Fria Wastewater